

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI

MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
BASIC FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
SEPTEMBER 30, 2004, 2003, AND 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/23/05

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
HOSPITAL ENTERPRISE FUND
YEARS ENDED SEPTEMBER 30, 2004, 2003, AND 2002

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**HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the annual financial report of Richland Parish Hospital Service District No. 1A (the Hospital) presents background information and management's analysis of the Hospital's financial performance during the fiscal year ended September 30, 2004. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The Hospital's total assets increased approximately \$936,000. The increase was primarily due to increase in investments.
- During the year, the Hospital's total operating revenues increased \$1,811,000 from prior year. The Hospital had an increase in operating expenses of \$895,000.
- The Hospital received reimbursement of Uncompensated Care under the State's Medicaid Program in the amount of \$1,309,394 in 2004 as compared to \$514,204 received in 2003. In 2004, the Hospital received uncompensated care reimbursement for its rural health clinic services of \$250,000 and a retroactive payment of \$336,000 for prior rural health clinic services. The uncompensated care reimbursement received in 2003 did not include payments for rural health clinic services.
- The Hospital received \$199,489 in payments from a cooperative endeavor agreement which provides home health services to the Hospital's service area.

Required Financial Statements

The basic financial statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The balance sheets include all of the Hospital's assets and liabilities and provide information about the nature and amount of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital. All of the current year's revenues and expenses are accounted for in the statements of revenue, expenses, and changes in net assets. This statement measures improvements in the Hospital's operations over the past years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing, and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

HOSPITAL SERVICE DISTRICT NO. 1A
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Hospital

The balance sheets and the statements of revenue, expenses, and changes in net assets report information about the Hospital's activities. These two statements report the net assets of the Hospital and changes in them. Increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Net Assets

A summary of the Hospital's balance sheets are presented in Table 1 below:

TABLE 1
Condensed Balance Sheets
(in thousands)

	September 30, <u>2004</u>	2003	Dollar <u>Change</u>	Percentage <u>Change</u>
Total Current Assets	\$ 3,297	\$ 2,918	\$ 379	12.99%
Capital Assets - Net	2,430	2,560	(130)	-5.08%
Board Designated Investments	2,643	2,711	(68)	-2.51%
Other Investments	778	-0-	778	100.00%
Other Assets	<u>34</u>	<u>57</u>	<u>(23)</u>	<u>-40.35%</u>
Total Assets	\$ <u>9,182</u>	\$ <u>8,246</u>	\$ <u>936</u>	<u>11.35%</u>
Current Liabilities	\$ 561	\$ 550	\$ 11	2.00%
Long-Term Debt	<u>405</u>	<u>462</u>	<u>(57)</u>	<u>-12.34%</u>
Total Liabilities	966	1,012	(46)	-4.55%
Net Assets	<u>8,216</u>	<u>7,234</u>	<u>982</u>	<u>13.57%</u>
Total Liabilities and Net Assets	\$ <u>9,182</u>	\$ <u>8,246</u>	\$ <u>936</u>	<u>11.35%</u>

As seen in Table 1, total assets increased approximately \$936,000. Current assets increased by \$379,000.

HOSPITAL SERVICE DISTRICT NO 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Revenue, Expenses and Changes in Net Assets

TABLE 2
Condensed Statements of Revenue, Expenses and Changes in Net Assets
(in thousands)

	Year Ended September 30,		Dollar	Percentage
	<u>2004</u>	<u>2003</u>	<u>Change</u>	<u>Change</u>
Net Patient Service Revenue	\$ 12,221	\$ 10,759	\$ 1,462	13.59%
Other Revenue	<u>1,100</u>	<u>751</u>	<u>349</u>	<u>46.47%</u>
Total Operating Revenue	<u>13,321</u>	<u>11,510</u>	<u>1,811</u>	<u>15.73%</u>
Salaries and Benefits	7,742	7,412	330	4.45%
Other Expenses	3,335	2,760	575	20.83%
Depreciation and Amortization	380	356	24	6.74%
Provision for Bad Debts	<u>933</u>	<u>967</u>	<u>(34)</u>	<u>-3.52%</u>
Total Operating Expenses	<u>12,390</u>	<u>11,495</u>	<u>895</u>	<u>7.79%</u>
Operating Income	931	15	916	6106.67%
Nonoperating Income	<u>51</u>	<u>62</u>	<u>(11)</u>	<u>-17.74%</u>
Excess of Revenue over Expenses	982	77	905	1175.32%
Net Assets - Beginning of Year	<u>7,234</u>	<u>7,157</u>	<u>77</u>	<u>1.08%</u>
Net Assets - End of Year	\$ <u>8,216</u>	\$ <u>7,234</u>	\$ <u>982</u>	<u>13.57%</u>

Sources of Revenue

Operating Revenue

During fiscal year 2004, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes cafeteria sales, joint venture, pharmacy sales to employees, vending machine and other miscellaneous services.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Sources of Revenue (Continued)

Operating Revenue (Continued)

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended September 30, 2004 and 2003.

TABLE 3
Payor Mix by Percentage

	Year Ended September 30,	
	<u>2004</u>	<u>2003</u>
Medicare	64%	63%
Medicaid	16%	18%
Commercial Insurance	14%	14%
Self-Pay	<u>6%</u>	<u>5%</u>
Total Patient Revenue	<u>100%</u>	<u>100%</u>

Operating and Financial Performance

The following summarizes the Hospital's statements of revenue, expenses and changes in net assets between 2004 and 2003:

Overall activity at the Hospital, as measured by combined acute patient and psychiatric patient discharges, increased to 1,345 discharges in 2004 from 1,210 discharges in 2003. Combined patient days increased to 6,518 in 2004 from 5,319 in 2003. As a result, the average length of stay for acute care patients was 3.3 days and psychiatric patients 13.0 days

Salaries increased by \$131,000 from the prior year, while benefits increased by \$201,000 from the prior year. The increase in benefits was primarily due to increased health insurance cost.

The cost of supplies and materials increased by \$45,000. This increase is primarily due to the increase in the volume of patient days.

Other operating income increased by \$349,000 from the previous year. Included in other operating income is income received by a home health joint venture. During the fiscal year 2004, the Hospital terminated its home health joint venture arrangement and entered into a new agreement. Under the new arrangement, the Hospital will receive a 33% equity ownership and 33% profit sharing. The Hospital also received \$315,000 for this transaction, which has been recorded as a gain on the sale of assets.

HOSPITAL SERVICE DISTRICT NO. 1A
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating and Financial Performance (Continued)

TABLE 4
Patient and Hospital Statistical Data

	Year Ended September 30,	
	<u>2004</u>	<u>2003</u>
Discharges:		
Adult and pediatric	1,038	977
Swing bed	226	148
Psychiatric care	81	85
Patient days:		
Adult and pediatric	3,442	3,294
Medicare (included in adult and pediatric)	2,391	2,345
Medicaid (included in adult and pediatric)	650	613
Swing bed	2,024	1,128
Psychiatric care	1,052	897
Emergency room visits	4,944	4,968
Average daily census:		
Adult and pediatric	9.4	9.0
Swing bed	5.5	3.1
Psychiatric care	2.9	2.5
Average length of stay:		
All patients	3.3	3.4
Medicare patients	3.6	3.5
Medicaid patients	3.4	3.2
Swing bed	9.0	7.6
Psychiatric care	13.0	10.6
Percentage of total acute patient days:		
Medicare	69%	71%
Medicaid	19%	19%
Rural health clinic visits	24,851	24,475
Full-time equivalents (FTEs)	175.4	174.8

HOSPITAL SERVICE DISTRICT NO. 1A
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

Table 5 summarizes major additions to capital assets:

TABLE 5
Major Hospital Additions

	Year Ended September 30, <u>2004</u>
Isolation room addition	\$ 88,000
Land	45,000
Server and workstation computers	40,000
Clinical interface	<u>23,000</u>
 Total	 \$ <u>196,000</u>

Long-Term Debt

At year-end, the Hospital had \$462,000 in short-term and long-term debt. This has decreased by \$55,000 in fiscal year 2004, which was the amount of principal payments on outstanding debt for the fiscal year. More detailed information about the Hospital's long-term liabilities is presented in the notes to the basic financial statements. No new long-term debt was incurred in the current year.

Contacting the Hospital's Financial Manager

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital administration.

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District No. 1A
Parish of Richland, State of Louisiana
Delhi, Louisiana

We have audited the accompanying basic financial statements of Hospital Service District No. 1A, Parish of Richland, (the Hospital), a component unit of the Richland Parish Police Jury, as of and for the years ended September 30, 2004, 2003, and 2002, as listed in the foregoing table of contents. These basic financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1A, Parish of Richland, as of September 30, 2004, 2003, and 2002, and the results of its operations and the cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2004, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Board of Commissioners
Hospital Service District No. 1A
Parish of Richland, State of Louisiana
Delhi, Louisiana
Page Two

Our audits were made for the purpose of forming an opinion on the Hospital's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in Note 2 to the financial statements, effective October 1, 2002, the Hospital changed its accounting policy related to financial statement presentation to comply with the provisions of Statement No. 34 of the Governmental Accounting Standards Board.

Management's discussion and analysis on pages "i" through "vi" is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Certified Public Accountants

December 16, 2004

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
HOSPITAL ENTERPRISE FUND
BALANCE SHEETS
SEPTEMBER 30, 2004, 2003, AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
<u>ASSETS</u>			
Current			
Cash and cash equivalents (Note 2 & 3)	\$ 1,489,970	\$ 529,942	\$ 679,248
Accounts receivable, net (Note 4)	1,355,654	1,721,829	1,760,878
Estimated third-party payor settlements	84,110	315,710	544,932
Due from joint venture	61,958	81,666	153,390
Accrued interest receivable	31,762	20,443	11,426
Inventory	246,876	233,971	226,935
Prepaid expenses	26,981	14,476	11,523
Total Current Assets	<u>3,297,311</u>	<u>2,918,037</u>	<u>3,388,332</u>
Property, plant, and equipment, net (Note 5)	2,429,796	2,560,317	2,670,393
Investments	700,000	-0-	-0-
Investment in joint venture	77,419	-0-	-0-
Assets whose use is limited (Note 6)	2,643,251	2,710,600	2,149,010
Other (Note 7)	<u>34,061</u>	<u>57,039</u>	<u>64,852</u>
Total Assets	<u>\$ 9,181,838</u>	<u>\$ 8,245,993</u>	<u>\$ 8,272,587</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current			
Accounts payable	\$ 204,433	\$ 237,532	\$ 316,668
Accrued expenses	287,803	208,779	186,158
Estimated third-party payor settlements	11,492	48,674	43,636
Current portion of long-term debt	<u>57,300</u>	<u>54,750</u>	<u>52,300</u>
Total Current Liabilities	561,028	549,735	598,762
Long-Term			
Certificates of indebtedness (Note 8)	<u>405,150</u>	<u>462,450</u>	<u>517,200</u>
Total Liabilities	<u>966,178</u>	<u>1,012,185</u>	<u>1,115,962</u>
Net Assets			
Invested in capital assets, net of related debt	2,429,796	2,560,317	2,670,393
Restricted	144,416	144,416	144,416
Unrestricted	<u>5,641,448</u>	<u>4,529,075</u>	<u>4,341,816</u>
Total Net Assets	<u>8,215,660</u>	<u>7,233,808</u>	<u>7,156,625</u>
Total Liabilities and Net Assets	<u>\$ 9,181,838</u>	<u>\$ 8,245,993</u>	<u>\$ 8,272,587</u>

See accompanying notes to financial statements

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
HOSPITAL ENTERPRISE FUND
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2004, 2003, AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenue			
Net patient service revenue	\$ 12,220,306	\$ 10,759,389	\$ 10,785,011
Gain (loss) on disposal of assets	394,419	-0-	(2,940)
Contributions	-0-	-0-	755
Grants	171,847	158,674	112,551
Property tax revenue	114,753	112,832	135,183
Other operating revenue	418,803	479,850	615,036
Total Revenue	<u>13,320,128</u>	<u>11,510,745</u>	<u>11,645,596</u>
Expenses			
Salaries	6,649,169	6,518,018	6,498,261
Benefits and payroll taxes	701,049	500,366	564,439
Pension plan (Note 10)	392,392	393,502	386,804
Supplies and drugs	605,750	560,705	508,745
Professional fees	97,484	94,736	118,091
Other expenses	2,328,192	1,835,240	1,771,540
Insurance	280,451	244,276	364,142
Interest expense	22,594	25,127	16,298
Depreciation	324,215	352,819	360,014
Amortization	55,311	3,612	20,263
Provision for bad debts	932,994	967,089	697,715
Total Expenses	<u>12,389,601</u>	<u>11,495,490</u>	<u>11,306,312</u>
Operating Income (Loss)	<u>930,527</u>	<u>15,255</u>	<u>339,284</u>
Nonoperating Income (Loss)			
Interest income on investments whose use is limited	46,934	58,250	45,416
Interest income, other	4,391	3,678	3,159
Total Nonoperating Income (Loss)	<u>51,325</u>	<u>61,928</u>	<u>48,575</u>
Excess of Revenue over Expenses	981,852	77,183	387,859
Net Assets Beginning of Year	<u>7,233,808</u>	<u>7,156,625</u>	<u>6,768,766</u>
Net Assets End of Year	\$ <u>8,215,660</u>	\$ <u>7,233,808</u>	\$ <u>7,156,625</u>

See accompanying notes to financial statements

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
HOSPITAL ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2004, 2003, AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 11,847,905	\$ 10,065,609	\$ 10,043,372
Other receipts from operations	748,089	827,281	758,465
Cash payments to employees and for employee-related cost	(7,663,586)	(7,389,265)	(7,419,223)
Cash payments for other operating expenses	<u>(3,437,016)</u>	<u>(2,833,098)</u>	<u>(2,782,113)</u>
Net cash provided (used) by operating activities	<u>1,495,392</u>	<u>670,527</u>	<u>600,501</u>
Cash flows from investing activities:			
Cash invested in assets whose use is limited	(1,366,591)	(561,591)	(778,024)
Cash proceeds from assets whose use is limited	1,433,940	-0-	537,969
Cash invested in certificates of deposit	(700,000)	-0-	-0-
Interest income	<u>51,325</u>	<u>61,928</u>	<u>48,575</u>
Net cash provided (used) by investing activities	<u>(581,326)</u>	<u>(499,663)</u>	<u>(191,480)</u>
Cash flows from capital and related financing activities:			
Proceeds from issuance of bonds	-0-	-0-	569,500
Proceeds from sales of property, plant and equipment	317,000	-0-	14,751
Acquisition of property, plant and equipment	(193,694)	(242,743)	(300,935)
Principal payments on long-term debt	(54,750)	(52,300)	-0-
Interest expense	<u>(22,594)</u>	<u>(25,127)</u>	<u>(16,298)</u>
Net cash provided (used) by capital and related financing activities:	<u>45,962</u>	<u>(320,170)</u>	<u>267,018</u>
Net increase (decrease) in cash and cash equivalents	960,028	(149,306)	676,039
Beginning cash and cash equivalents	<u>529,942</u>	<u>679,248</u>	<u>3,209</u>
Ending cash and cash equivalents	\$ <u>1,489,970</u>	\$ <u>529,942</u>	\$ <u>679,248</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
HOSPITAL ENTERPRISE FUND
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003, AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ 930,527	\$ 15,255	\$ 339,284
Interest expense considered capital financing activity	22,594	25,127	16,298
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Depreciation	324,215	352,819	360,014
Amortization	55,311	3,612	20,263
(Gain) loss on disposal of assets	(394,419)	-0-	2,940
Provision for bad debts	932,994	967,089	697,715
Change in current assets (increase) decrease			
Patient accounts receivable, net	(566,819)	(928,040)	(914,884)
Estimated third-party payor settlements	231,600	229,222	250,358
Due to (from) joint venture	19,708	71,724	(90,114)
Accrued interest receivable	(11,319)	(9,017)	4,504
Inventory	(12,905)	(7,035)	(5,106)
Prepaid expenses	(12,505)	(2,953)	12,112
Change in current liabilities (increase) decrease			
Accounts payable	(33,099)	(79,136)	(31,105)
Accrued expenses	79,024	22,621	30,281
Estimated third-party payor settlements	(37,182)	5,038	(77,113)
Change in other assets (increase) decrease	(32,333)	4,201	(14,946)
Net cash provided by operating activities	\$ <u>1,495,392</u>	\$ <u>670,527</u>	\$ <u>600,501</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL – DELHI
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2004, 2003, AND 2002

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Richland Parish Hospital Service District No. 1A (the Hospital or the District) was created by an ordinance of the Richland Parish Police Jury on April 18, 1989. The District is comprised of and embraces the territory contained within Ward 1 of the Parish of Richland, State of Louisiana, as constituted as of the date of the ordinance.

Effective as of October 1, 1989, Richland Parish Hospital Service District No. 1 (which operated hospitals in Delhi and Rayville) transferred operations of the hospital in Delhi to Richland Parish Hospital Service District No. 1A, along with all related assets, liabilities, and equity.

The Hospital is a political subdivision of the Richland Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Richland Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Richland Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Richland Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, skilled nursing (through "swing-beds"), home health (by joint venture effective August 1, 2002), psychiatric and acute inpatient hospital services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The Hospital uses the accrual method of accounting. Under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, the Hospital has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, the AICPA, Audit and

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

On October 1, 2002, the Hospital adopted the provisions of Statement No. 34 (Statement 34) of GASB, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Statement 34 established standards for external financial reporting for all state and local governmental entities, which include a balance sheet, a statement of revenue, expenses and changes in net assets; and a direct method statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first, then unrestricted resources as they are needed.

The adoption of Statement 34 resulted in the previously reported unrestricted fund balance amount being classified to conform to the above net asset classifications. Additionally, the Hospital restated the 2002 and 2001 statements of cash flows to conform to the direct method of reporting cash receipts and disbursements.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities over 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

The District provides medical care primarily to Richland Parish residents and grants credit to patients substantially all of whom are local residents.

The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 12. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Third-Party Payor Revenues

Contractual agreements with governmental agencies provide for reimbursement based on a fixed price per patient stay based upon the patient's primary diagnosis for Medicare inpatient services and on a fixed price per patient day for Medicaid inpatient services. Medicare and Medicaid outpatient services are reimbursed based upon the lesser of reasonable cost (subject to certain limits) or charges to patients. These reimbursements are subject to audit and retroactive adjustments by each payor.

Inventory

Inventories are stated at the lower of cost determined by the first-in, first-out, or market basis.

Income Taxes

The entity is a political subdivision and exempt from taxation. Additionally, the District has received approval to be recognized as an organization described under Section 501(c)3 of the Internal Revenue Code.

Property, Plant, and Equipment

Property, plant, and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. The Hospital uses straight-line depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings and Improvements	5 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	3 to 20 years

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant, and Equipment (Continued)

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Revenue and Expenses

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are included in income or loss from operations; all peripheral transactions are reported as a component of nonoperating income.

NOTE 3 – DEPOSITS AND INVESTMENTS

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds.

The Hospital's cash and investments are categorized below to give an indication of the level of risk assumed at September 30, 2004, 2003 and 2002. Category (1) includes investments that are insured, or registered in the Hospital's name, or for which the securities are held by the Hospital or its agent in the Hospital's name. Category (2) includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Hospital's name. Category (3) includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the Hospital's name. Balances at April 30 were as follows:

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NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

	Credit Risk Category			Carrying Amount
	(1)	(2)	(3)	
2004				
Investment type:				
Direct obligations of or securities backed by the full faith and credit of the U.S. Government	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Cash and cash equivalents, certificates of deposit	<u>4,688,805</u>	<u>-0-</u>	<u>-0-</u>	<u>4,688,805</u>
Totals	\$ <u>4,688,805</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>4,688,805</u>
	Credit Risk Category			Carrying Amount
	(1)	(2)	(3)	
2003				
Investment type:				
Direct obligations of or securities backed by the full faith and credit of the U.S. Government	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Cash and cash equivalents, certificates of deposit	<u>3,096,126</u>	<u>-0-</u>	<u>-0-</u>	<u>3,096,126</u>
Totals	\$ <u>3,096,126</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>3,096,126</u>
	Credit Risk Category			Carrying Amount
	(1)	(2)	(3)	
2002				
Investment type:				
Direct obligations of or securities backed by the full faith and credit of the U.S. Government	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Cash and cash equivalents, certificates of deposit	<u>2,349,766</u>	<u>-0-</u>	<u>334,076</u>	<u>2,683,842</u>
Totals	\$ <u>2,349,766</u>	\$ <u>-0-</u>	\$ <u>334,076</u>	\$ <u>2,683,842</u>

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NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Patient accounts receivable	\$ 1,776,726	\$ 2,334,178	\$ 2,350,008
Other accounts receivable	<u>5,928</u>	<u>4,651</u>	<u>4,870</u>
	1,782,654	2,338,829	2,354,878
Estimated uncollectibles	<u>(427,000)</u>	<u>(617,000)</u>	<u>(594,000)</u>
Total	\$ <u>1,355,654</u>	\$ <u>1,721,829</u>	\$ <u>1,760,878</u>

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT

The following is a summary of property, plant, and equipment and related accumulated depreciation for the years ended September 30.

	Beginning Balance	<u>2004</u> Additions	Dispositions	Ending Balance
Land	\$ 115,000	\$ 44,695	\$ -0-	\$ 159,695
Buildings and improvements	3,916,696	1,700	(108,062)	4,026,458
Major movable equipment	3,281,436	96,072	8,000	3,369,508
Construction in progress	<u>89,341</u>	<u>51,227</u>	<u>108,062</u>	<u>32,506</u>
Total	7,402,473	193,694	8,000	7,588,167
Accumulated depreciation	<u>4,842,156</u>	<u>324,215</u>	<u>8,000</u>	<u>5,158,371</u>
Net	\$ <u>2,560,317</u>	\$ <u>(130,521)</u>	\$ <u>-0-</u>	\$ <u>2,429,796</u>

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NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT (Continued)

	<u>2003</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Land	\$ 115,000	\$ -0-	\$ -0-	\$ 115,000
Buildings and improvements	3,899,097	17,599	-0-	3,916,696
Major movable equipment	3,145,633	135,803	-0-	3,281,436
Construction in progress	-0-	89,341	-0-	89,341
Total	7,159,730	242,743	-0-	7,402,473
Accumulated depreciation	4,489,337	352,819	-0-	4,842,156
Net	\$ <u>2,670,393</u>	\$ <u>(110,076)</u>	\$ <u>-0-</u>	\$ <u>2,560,317</u>

	<u>2002</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Land	\$ 115,000	\$ -0-	\$ -0-	\$ 115,000
Buildings and improvements	3,786,019	113,078	-0-	3,899,097
Major movable equipment	2,953,846	215,987	24,200	3,145,633
Construction in progress	28,130	83,259	111,389	-0-
Total	6,882,995	412,324	135,589	7,159,730
Accumulated depreciation	4,135,832	360,014	6,509	4,489,337
Net	\$ <u>2,747,163</u>	\$ <u>52,310</u>	\$ <u>129,080</u>	\$ <u>2,670,393</u>

Property, plant, and equipment was transferred from Hospital Service District No. 1 of Richland Parish as of October 1, 1989, at historical cost. The accumulated depreciation was transferred at the recorded value to continue the existing basis of valuation and accounting.

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NOTE 6 - ASSETS WHOSE USE IS LIMITED

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Restricted by Hospital Board:			
To be used for asset additions and replacements			
Certificates of deposit	\$ 2,498,835	\$ 2,566,184	\$ 2,004,594
LHA trust deposits	<u>144,416</u>	<u>144,416</u>	<u>144,416</u>
Assets whose use is limited	\$ <u>2,643,251</u>	\$ <u>2,710,600</u>	\$ <u>2,149,010</u>

NOTE 7 - OTHER ASSETS

Other assets consist of the following:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Start-up cost	\$ 9,630	\$ 12,941	\$ 16,553
Medical scholarships receivable	<u>24,431</u>	<u>44,098</u>	<u>48,299</u>
Total	\$ <u>34,061</u>	\$ <u>57,039</u>	\$ <u>64,852</u>

Start-up costs are expenses incurred in establishing a mental health clinic. These expenses were capitalized and are being amortized over a 60 month period.

Medical scholarships receivable are amounts paid to student doctors for tuition. These scholarships are an incentive to attract physicians to the local community. If the physician establishes his or her practice locally, then the scholarship is deemed as being repaid over time. Otherwise, there are provisions for the physician to repay the scholarship with interest.

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NOTE 8 - LONG-TERM DEBT

	<u>2004</u>	<u>2003</u>	<u>2002</u>
4.7 percent Series 2002 Certificates of Indebtedness, due February 1, 2011, collateralized by a pledge and dedication of the District's ad valorem tax revenues through 2010	\$ <u>462,450</u>	\$ <u>517,200</u>	\$ <u>569,500</u>
Total long-term debt	462,450	517,200	569,500
Less current maturities of long-term debt	<u>57,300</u>	<u>54,750</u>	<u>52,300</u>
Long-term debt	\$ <u>405,150</u>	\$ <u>462,450</u>	\$ <u>517,200</u>

Scheduled principal and interest payments of bonds payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 57,300	\$ 21,736	\$ 79,036
2006	60,000	19,042	79,042
2007	62,850	16,222	79,072
2008	65,800	13,268	79,068
2009	68,900	10,176	79,076
2010-2014	<u>147,600</u>	<u>10,484</u>	<u>158,084</u>
Total long-term debt	\$ <u>462,450</u>	\$ <u>90,928</u>	\$ <u>553,378</u>

NOTE 9 - AFFILIATED ORGANIZATION

Affiliated organizations include Richland Parish Hospital Service District No. 1, Richland Parish Hospital Service District No. 1B, and the Richland Parish Police Jury. The districts are related because they are all political subdivisions of the Richland Parish Police Jury who appoints their commissioners.

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NOTE 9 - AFFILIATED ORGANIZATION (Continued)

During the fiscal years ended September 30, the Hospital had the following transactions and balances with its affiliated organization, Richland Parish Hospital Service District No. 1B, dba Richardson Medical Center.

	<u>2004</u>		<u>2003</u>		<u>2002</u>
Beginning amount due to Richardson Medical Center	\$ 1,192	\$	-0-	\$	-0-
Expenses incurred by the Hospital and payable by the Hospital	19,965		22,652		22,680
Payments by the Hospital to Richardson Medical Center	<u>(22,919)</u>		<u>(21,460)</u>		<u>(22,680)</u>
Ending amount due to Richardson Medical Center	\$ <u>(1,762)</u>	\$	<u>1,192</u>	\$	<u>-0-</u>

NOTE 10 - PENSION PLAN

The Hospital elected to withdraw from the Social Security System effective as of January 1, 1993. In place of the Social Security System, the Hospital established a defined contribution annuity plan. Employees are eligible to participate upon date of employment and, after one year of service, the employee is fully vested in the employer's matching contribution. Contributions to the plan by the Hospital are determined by the Board of Commissioners, at a minimum of 7.5% of the participant's compensation. The amounts charged to pension expense under this plan were \$392,392, \$393,502 and \$386,804 for the years ended September 30, 2004, 2003 and 2002, respectively.

NOTE 11 - COMPENSATED ABSENCES

Employees of the Hospital are entitled to paid days off and sick days depending on length of service. The Hospital accrued \$132,392, \$130,106 and \$136,036 of vacation pay at September 30, 2004, 2003 and 2002, respectively. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 12 - PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

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NOTE 12 - PATIENT SERVICE REVENUE (Continued)

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis with a hold harmless provision for cost reimbursement until January 1, 2006, unless legislation is passed to extend this provision. The additional payments received under the hold harmless provision was \$403,146, \$490,724, and \$393,672 for the years ended September 30, 2004, 2003, and 2002 respectively. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day and other services such as geriatric psychiatry are reimbursed based upon a cost reimbursement methodology (subject to a target amount per discharge).

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary.

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates.

The Hospital receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenues for the years ended September 30.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Medicare and Medicaid gross patient charges	\$ 13,911,627	\$ 13,086,057	\$ 12,417,315
Contractual adjustments	<u>(5,664,128)</u>	<u>(5,390,692)</u>	<u>(5,160,619)</u>
Program patient service revenue	\$ <u>8,247,499</u>	\$ <u>7,695,365</u>	\$ <u>7,256,696</u>
Percent of total patient gross charges	<u>80%</u>	<u>82%</u>	<u>79%</u>
Percent of total patient revenues	<u>67%</u>	<u>72%</u>	<u>67%</u>

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NOTE 12 - PATIENT SERVICE REVENUE (Continued)

The Hospital received interim amounts of \$1,309,394, \$514,204 and \$595,877 for Medicaid and self-pay uncompensated care services for the years ended September 30, 2004, 2003, and 2002, respectively. The interim amounts received are based upon uncompensated cost incurred in previous years. Current regulations require retroactive audit of the claimed uncompensated cost and comparison to the interim amounts paid by Medicaid in each fiscal year. Any overpayments will be recouped by Medicaid and the Hospital has not made any provisions for such recoupments. Management contends interim amounts paid reasonably estimate final settlement. To the extent management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise.

NOTE 13 - PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the PCF, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their census. At policy year-end, premiums are re-determined utilizing actual utilization of the Hospital. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has not included these allocations or equity in the trust in its financial statements which reflect cash transactions with the trust fund as insurance expense or a reduction thereof.

NOTE 14 - CONTINGENCIES

The Hospital evaluates contingencies based upon the best available evidence. The Hospital believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the Hospital's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 12) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

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NOTE 14 - CONTINGENCIES (Continued)

Further, in order to continue receiving reimbursement from the Medicare program, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as privacy, licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 13) - The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

The Hospital participates in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the Hospital is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

The Hospital also participates in the Louisiana Hospital Association Self-Insurance Employee Benefits Trust Fund. If the fund's assets are not adequate to cover the claims made against it, the Hospital will be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the Hospital is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The District has acquired stop-loss insurance to cover individual claims exceeding \$20,000 or aggregate claims exceeding \$1,000,000 per year.

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NOTE 15 - JOINT VENTURE

The Hospital entered into a cooperative endeavor agreement on August 15, 2001, with Delhi Homecare, LLC. The agreement's intention is to ensure that home health services are readily available to the residents of the Hospital's district. The Hospital participates in profits and losses equal to seventy-one percent (71%) within its service area. Outside of the Hospital's service area, the participation is lowered to twenty-nine percent (29%). The Hospital's liability for losses is limited to the amount of the annual rent paid by Delhi Homecare, LLC. The Hospital does not have an equity interest in the cooperative endeavor, therefore accounts for this arrangement using the cost method. The Hospital terminated its cooperative endeavor agreement effective October 1, 2003, with Delhi Homecare, LLC and entered into a new agreement. Under the terms of the new agreement the Hospital agreed to change its profit sharing percentage from seventy-one percent (71%) and twenty-nine percent (29%) to thirty-three percent (33%) in exchange for \$315,000 and a thirty-three percent (33%) equity interest in Delhi Homecare, LLC. The \$315,000 plus the \$77,419 of equity interest acquired by the Hospital has been reported as a gain on sale of assets.

NOTE 16 - COMMITMENTS

The Hospital has entered into a construction contract during the year ended September 30, 2004, which totaled \$560,000, including charge orders as of September 30, 2004. The Hospital paid \$-0- towards the commitment as of September 30, 2004.

NOTE 17 – SUBSEQUENT EVENTS

On October 5, 2004, the Board approved the purchase of radiology equipment totaling \$199,027. Also, the Board approved to enter into a lease agreement for ultrasound equipment at \$2,695 per month.

SUPPLEMENTARY INFORMATION

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	<u>2004</u>	<u>2003</u>	<u>2002</u>
Routine Services:			
Adult and pediatric	\$ 1,059,967	\$ 1,085,284	\$ 979,278
Swing bed	363,240	203,580	253,080
Psychiatric unit	<u>905,250</u>	<u>762,450</u>	<u>1,047,150</u>
Total Routine Services	<u>2,328,457</u>	<u>2,051,314</u>	<u>2,279,508</u>
Other Professional Services:			
Operating room			
Inpatient acute	25,528	35,343	42,116
Outpatient	<u>117,316</u>	<u>185,321</u>	<u>277,102</u>
Total	<u>142,844</u>	<u>220,664</u>	<u>319,218</u>
Anesthesia			
Inpatient acute	310	310	3,937
Outpatient	<u>2,170</u>	<u>2,170</u>	<u>21,498</u>
Total	<u>2,480</u>	<u>2,480</u>	<u>25,435</u>
Radiology			
Inpatient acute	422,527	364,493	353,196
Outpatient	928,427	919,462	931,143
Swing bed	62,697	44,461	48,886
Psychiatric unit	<u>31,183</u>	<u>26,205</u>	<u>28,484</u>
Total	<u>1,444,834</u>	<u>1,354,621</u>	<u>1,361,709</u>
Laboratory			
Inpatient acute	497,258	541,977	421,179
Outpatient	1,310,664	1,117,836	1,029,347
Swing bed	75,956	53,656	55,547
Psychiatric unit	<u>40,517</u>	<u>40,981</u>	<u>48,353</u>
Total	<u>1,924,395</u>	<u>1,754,450</u>	<u>1,554,426</u>
Blood			
Inpatient acute	78,926	58,596	46,056
Outpatient	-0-	4,001	6,236
Swing bed	<u>11,107</u>	<u>7,588</u>	<u>6,581</u>
Total	\$ <u>90,033</u>	\$ <u>70,185</u>	\$ <u>58,873</u>

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
HOSPITAL ENTERPRISE FUND
NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003, AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Respiratory therapy			
Inpatient acute	\$ 876,424	\$ 963,206	\$ 884,317
Outpatient	98,938	98,386	114,219
Swing bed	530,343	320,403	414,220
Psychiatric unit	<u>20,907</u>	<u>12,439</u>	<u>13,780</u>
Total	<u>1,526,612</u>	<u>1,394,434</u>	<u>1,426,536</u>
Physical therapy			
Inpatient acute	16,539	19,618	17,959
Outpatient	336,407	263,815	224,936
Swing bed	<u>79,188</u>	<u>46,136</u>	<u>46,294</u>
Total	<u>432,134</u>	<u>329,569</u>	<u>289,189</u>
Occupational therapy			
Inpatient acute	5,976	7,277	2,321
Outpatient	197,717	153,352	145,970
Swing bed	<u>50,543</u>	<u>27,682</u>	<u>20,235</u>
Total	<u>254,236</u>	<u>188,311</u>	<u>168,526</u>
Speech therapy			
Inpatient acute	-0-	150	585
Outpatient	-0-	4,920	88,235
Swing bed	<u>-0-</u>	<u>-0-</u>	<u>4,770</u>
Total	<u>-0-</u>	<u>5,070</u>	<u>93,590</u>
Electrocardiology			
Inpatient acute	115,758	134,066	116,502
Outpatient	118,024	135,683	145,740
Swing bed	3,472	1,812	3,224
Psychiatric unit	<u>12,028</u>	<u>12,684</u>	<u>13,685</u>
Total	<u>249,282</u>	<u>284,245</u>	<u>279,151</u>
Central supply			
Inpatient acute	76,815	100,683	143,731
Outpatient	41,390	51,096	53,453
Swing bed	39,811	26,193	46,691
Psychiatric unit	<u>2,153</u>	<u>2,144</u>	<u>4,510</u>
Total	\$ <u>160,169</u>	\$ <u>180,116</u>	\$ <u>248,385</u>

HOSPITAL SERVICE DISTRICT NO. 1A
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHLAND PARISH HOSPITAL - DELHI
 HOSPITAL ENTERPRISE FUND
 NET PATIENT SERVICE REVENUE (Continued)
 YEARS ENDED SEPTEMBER 30, 2004, 2003, AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Pharmacy			
Inpatient acute	\$ 1,460,942	\$ 1,505,145	\$ 1,273,484
Outpatient	635,191	684,712	601,751
Swing bed	674,427	355,296	439,960
Psychiatric unit	<u>147,718</u>	<u>109,320</u>	<u>143,144</u>
Total	<u>2,918,278</u>	<u>2,654,473</u>	<u>2,458,339</u>
IOP/PHP Psychiatric therapy sessions			
Outpatient	<u>979,200</u>	<u>1,023,000</u>	<u>1,033,750</u>
Cardio rehabilitation			
Outpatient	<u>168,625</u>	<u>212,075</u>	<u>206,305</u>
Certified diabetic education			
Outpatient	<u>14,435</u>	<u>15,920</u>	<u>35,395</u>
Emergency room			
Inpatient acute	185,477	189,974	115,502
Outpatient	1,055,615	1,045,023	1,000,995
Swing bed	-0-	-0-	815
Psychiatric unit	<u>565</u>	<u>1,196</u>	<u>-0-</u>
Total	<u>1,241,657</u>	<u>1,236,193</u>	<u>1,117,312</u>
Observation room			
Outpatient	<u>7,056</u>	<u>6,252</u>	<u>11,151</u>
Rural health			
Clinic	<u>3,140,194</u>	<u>2,875,151</u>	<u>2,704,385</u>
School-based			
Clinic	<u>59,255</u>	<u>39,399</u>	<u>48,206</u>
Mental health rehabilitation			
Clinic	<u>197,975</u>	<u>122,450</u>	<u>6,000</u>
Transportation	\$ <u>29,075</u>	\$ <u>6,721</u>	\$ <u>-0-</u>

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
HOSPITAL ENTERPRISE FUND
NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30, 2004, 2003, AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Other Professional Services			
Inpatient acute	\$ 3,762,480	\$ 3,920,838	\$ 3,420,885
Outpatient	6,040,250	5,929,745	5,927,226
Clinics	3,397,424	3,037,000	2,758,591
Swing bed	1,527,544	883,227	1,087,223
Psychiatric unit	<u>255,071</u>	<u>204,969</u>	<u>251,956</u>
Total Other Professional Services	<u>14,982,769</u>	<u>13,975,779</u>	<u>13,445,881</u>
Gross Patient Service Charges	<u>17,311,226</u>	<u>16,027,093</u>	<u>15,725,389</u>
Deductions from Revenue:			
Contractual allowances	6,382,722	5,768,186	5,514,619
Policy discount	17,592	13,722	21,636
Uncompensated care reimbursement	<u>(1,309,394)</u>	<u>(514,204)</u>	<u>(595,877)</u>
Total Deductions from Revenue	<u>5,090,920</u>	<u>5,267,704</u>	<u>4,940,378</u>
Net Patient Service Revenue	\$ <u>12,220,306</u>	\$ <u>10,759,389</u>	\$ <u>10,785,011</u>

HOSPITAL SERVICE DISTRICT NO. 1A
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHLAND PARISH HOSPITAL - DELHI
 HOSPITAL ENTERPRISE FUND
 OTHER OPERATING REVENUE
 YEARS ENDED SEPTEMBER 30, 2004, 2003, AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Pharmacy sales to employees	\$ 35,979	\$ 33,772	\$ 25,814
Television	272	5,987	2,643
Cafeteria	79,373	63,873	57,141
Medical records	4,889	6,112	2,240
Vending machines	31,702	30,086	27,709
Rentals	26,000	24,300	25,350
Joint venture	199,489	277,747	457,453
Miscellaneous	<u>41,099</u>	<u>37,973</u>	<u>16,686</u>
 Total other operating revenue	 \$ <u>418,803</u>	 \$ <u>479,850</u>	 \$ <u>615,036</u>

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
HOSPITAL ENTERPRISE FUND
SCHEDULE OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED SEPTEMBER 30, 2004, 2003, AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Administration	\$ 634,141	\$ 608,811	\$ 617,079
Plant operations and maintenance	72,778	87,003	105,966
Housekeeping	108,100	103,750	96,904
Dietary	146,365	136,178	126,045
Inservice	41,720	40,529	42,632
Central supply	12,323	13,496	12,620
Pharmacy	153,793	148,944	156,196
Medical records	179,364	174,806	158,826
Nursing services - Inpatient acute	834,808	782,437	782,971
Nursing services - Geriatric psychiatric	389,940	422,002	453,371
Operating room	32,272	38,124	96,169
Radiology	163,431	180,301	153,627
Laboratory	350,725	300,591	260,331
Respiratory therapy	154,703	145,308	147,881
Physical therapy	193,075	166,940	236,508
EKG	27,098	33,100	15,110
IOP/PHP - Psychiatric therapy	275,241	353,576	324,668
Cardio rehabilitation	102,694	106,193	91,687
Certified diabetic education	34,530	33,113	45,122
Rural health clinic	1,739,046	1,640,132	1,716,814
Emergency room	754,890	732,324	685,732
Home health	6,933	5,847	-0-
School based health clinic	160,162	148,711	137,325
Mental health rehabilitation clinic	7,373	99,988	34,677
Transportation	73,664	15,814	-0-
 Total salaries	 <u>6,649,169</u>	 <u>6,518,018</u>	 <u>6,498,261</u>
 Payroll taxes	 92,320	 87,414	 89,423
Hospital insurance	590,754	391,524	445,777
Other	17,975	21,428	29,239
 Total benefits	 <u>701,049</u>	 <u>500,366</u>	 <u>564,439</u>
 Total salaries and benefits	 \$ <u>7,350,218</u>	 \$ <u>7,018,384</u>	 \$ <u>7,062,700</u>

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
HOSPITAL ENTERPRISE FUND
SCHEDULE OF OPERATING EXPENSES – PROFESSIONAL FEES
YEARS ENDED SEPTEMBER 30, 2004, 2003, AND 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Nursing services - Geriatric psychiatric	\$ 250	\$ -0-	\$ -0-
Anesthesiology	-0-	-0-	4,675
Radiology	1,435	451	1,125
Laboratory	19,731	8,250	6,125
Physical therapy	61	200	-0-
IOP/PHP - Psychiatric therapy sessions	62,467	72,101	99,802
Rural health clinic	100	2,075	1,100
Mental rehabilitation	12,000	12,000	5,264
Home health	-0-	(701)	-0-
EKG	<u>1,440</u>	<u>360</u>	<u>-0-</u>
Total professional fees	\$ <u>97,484</u>	\$ <u>94,736</u>	\$ <u>118,091</u>

HOSPITAL SERVICE DISTRICT NO. 1A
OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
d/b/a RICHLAND PARISH HOSPITAL - DELHI
HOSPITAL ENTERPRISE FUND
SCHEDULE OF OPERATING EXPENSES – OTHER EXPENSES
YEARS ENDED SEPTEMBER 30, 2004, 2003, AND 2002

	<u>2004</u>		<u>2003</u>		<u>2002</u>
Contract services	\$ 568,436	\$	335,183	\$	326,021
Legal and accounting	122,198		83,589		95,903
Supplies	1,044,792		907,358		906,873
Repairs and maintenance	192,318		108,846		110,076
Utilities	135,473		120,912		97,141
Telephone	54,801		80,732		77,347
Travel - home health	-0-		55		1,379
Travel - other	29,539		20,591		21,167
Rentals	60,834		64,060		50,815
Education	31,064		41,048		40,017
Recruitment and advertising	41,593		23,628		13,980
Dues and subscriptions	7,359		6,033		-0-
Miscellaneous	<u>39,785</u>		<u>43,205</u>		<u>30,821</u>
 Total other expenses	 \$ <u>2,328,192</u>	 \$	 <u>1,835,240</u>	 \$	 <u>1,771,540</u>

HOSPITAL SERVICE DISTRICT NO. 1A
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHLAND PARISH HOSPITAL - DELHI
 HOSPITAL ENTERPRISE FUND
 SCHEDULE OF PER DIEM AND
 OTHER COMPENSATION PAID TO BOARD MEMBERS
 YEARS ENDED SEPTEMBER 30, 2004, 2003, AND 2002

----- TERM -----

Board Members:	<u>BEGAN</u>	<u>ENDING</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Mr. Charles Black	04/18/89	05/07/05	NONE	NONE	NONE
Mrs. Eleanor Jones	04/18/89	05/07/07	NONE	NONE	NONE
Mr. Jimmy Hopson	04/18/89	10/05/09	NONE	NONE	NONE
Dr. Paul Grandon	08/20/93	10/05/09	NONE	NONE	NONE
Mr. Nathan Monroe	05/07/01	05/07/09	NONE	NONE	NONE

Bobby G. Lester, CPA
John S. Wells, CPA
Robert G. Miller, CPA
Paul A. Delaney, CPA
Mary L. Carroll, CPA

Melanie I. Layssard, CPA
Brenda J. Lloyd, CPA

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Hospital Service District No. 1A
Parish of Richland, State of Louisiana
Delhi, Louisiana

We have audited the basic financial statements of the Richland Parish Hospital Service District No. 1A, (the District or the Hospital) as of and for the years ended September 30, 2004, 2003, and 2002, and have issued our report thereon dated December 16, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Board of Commissioners
Hospital Service District No. 1A
Parish of Richland, State of Louisiana
Delhi, Louisiana
Page Two

This report is intended for the information of the Board of Commissioners, management and the office of the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record

Lester, Miller & Wells

Certified Public Accountants

December 16, 2004

RICHLAND PARISH HOSPITAL – DELHI
MANAGEMENT RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2004

General

We were pleased to find improvements in all areas where recommendations were made as a result of the 2003 audit. Our comments and recommendations with management's responses are repeated from last year with our assessment of resolution in 2004.

2003 Internal Controls

Finding: While documenting the cash receipts process, we noted that one employee was responsible for receiving mail receipts, posting the receipts and preparing the daily deposit.

Recommendation: We recommend having an employee without access to the accounts receivable function prepare the deposit before the receipts are posted.

Management's Response: The District will segregate the duties for the cash receipts process.

Resolution: This matter has been resolved.